

**SWISS FUNDS ASSOCIATION ("SFA") GUIDELINES ON TRANSPARENCY WITH REGARD TO MANAGEMENT FEES ("SFA-GUIDELINES") - REQUIREMENT TO DISCLOSE THREE COMPONENTS OF MANAGEMENT FEE SUSPENDED****Key Points:**

- The SFA has informed its members by a letter dated 6 July 2006 that on request of the SFA the FBC have accepted a postponement of section 2 (i.e. section A II (2)) of the SFA-Guidelines which contains the duty to disclose three components of the management fee.
- In their letter the SFA say that the recent developments in the EU, in particular article 26 of the draft dated 30 June 2006 of the implementing directive of the EU Commission regarding MiFiD, give a reason to review the SFA-Guidelines in accordance with its section III C, second paragraph. According to the SFA the disclosures required from the fund providers pursuant to the SFA-Guidelines would stand in sharp contrast with the concept of the disclosure at the "point of sale" provided for in the said implementing directive.
- The SFA say that the FBC expect them to present a solution compatible with the solutions in the EU by the end of the year.
- The letter by the SFA contains explanations concerning the postponement of the SFA-Guidelines which we think could be interpreted as follows:
  1. Foreign Funds as well as Swiss funds (which have not yet implemented the provision in their fund regulations mentioned under 2.) do not need to disclose three components of the management fee (administration, asset management, distribution) in their prospectuses and "Swiss pages" to the prospectuses respectively.
  2. Swiss funds do not need to implement a provision in their fund regulations according to which the fund management company ("Fondsleitung") has to disclose three components of the management fee (administration, asset management, distribution).
  3. Section II B. 5 of the SFA-Guidelines remains in force for foreign and Swiss funds. Foreign funds will have to implement a general disclosure that reimbursements and trail fees (as defined by the SFA- Guidelines) are paid out of the management fee on the "Swiss page" of the prospectus.

4. During the transition period the granting of reimbursements and trail fees remains permissible without a basis in the fund regulations/prospectus (Swiss funds) or the "Swiss page" of the prospectus (foreign funds), provided that:
  - A general disclosure is made in the annual and semi-annual reports (until the disclosures according to 3. above are implemented);
  - Remuneration of distribution is provided for in the fund regulations (Swiss funds);
  - The definition of the circle of recipients of the reimbursements and trail fees is in accordance with the SFA Guidelines (there remain uncertainties in the case of foreign funds regarding the definition of the circle of recipients of reimbursements).

The transition period for purposes of this paragraph ends for existing funds on 31 December 2006. New funds (including umbrellas adding new sub-funds) and registered funds which change the provisions of the prospectus/fund regulations regarding fees/commissions and costs will need to comply with point 3 above as from today.

5. As the three components of the management fee do not have to be disclosed, the respective confirmations by the foreign fund providers are no longer needed.

**Our view:** Given the recent history of the SFA Guidelines, we think that practical solutions with respect to points 3 and 4 above have to be sought with the FBC on a case-by-case basis.

For more information feel free to contact any of our investment fund specialists ([www.nastra.ch](http://www.nastra.ch)).

**Note: None of the information contained herein is to be regarded as binding legal advice.**